(2) AGH 4.2, meet their target; (3) community hospitals and university - break even; AIHG break even; AHERF, primarily operations, is break even. This budget includes everything you set forth for us. Capital expenditures limited to 50% of funds generated. 20% transferred to AHERF. We have an overall total margin of $43 million consolidated 2.9%, which is coming from 2% - about 50% improvement.

Barnes: Page 27 - Gain/Loss from Operations - keep an eye on this. Pleased to see that you are planning a $10 million operating result next year. Considering where you are coming from and the operating market.

McConnell: Page 29 - balance sheet, improvement in cash. Reduction in receivables, 6% revenue budget increase. Talked about investments, strengthening our liquidity. Balance sheet for 95 looks good. For 96, AHERF is in good position. It is our plan to, assuming financial markets are okay, would like to refinance Delaware Valley debt. We believe with our 95 and 96 projected results, we are in good position to do financing to combine into one master trust. That would be subject to many things. Once we have audited numbers, we would like to prepare to be in the market in January.

Barnes: How much?

McConnell: $40 million. Not new money; just consolidating into one document. We have no additional debt capacity. We do not want to increase it.

Little: What about the difference between variance on consolidated balance sheet of self insured?

McConnell: Timing of deposits offset in timing.

Abdelhak: David and Nancy have explored looking at a different way of funding insurance, and between them they have reduced the cost of insurance to the system on an ongoing basis. That does not diminish the amount of funds.

McConnell: We have actuarial support.

McConnell: Page 30 - Profit and Loss - Total revenue increase of $80 million.

Abdelhak: Talked about volume increases. In every instance, we have budgeted rate increase. They are flat. Addition in other revenue. Talked about increase in expenses, $39 million. We have provided detail of revenue of each operating organization.

McConnell : Page 32 - Point out the cash increase this year is $6 million with the aggressive capital plan. We will have increase in cash in the organization. Have provided high level summaries of each operating unit. Each CEO is here today if you have any questions.

Neuwirth: Regarding budget guidelines, asked about 5% return for the hospital. How does that compare to Fiscal year 95 results?

McConnell: Answer differs by company. For MCPHUHS, improvement by 3%. SCHC is around 6.5%. AMS flat - 4.2% this year - same. University - break even. Everyone else is breaking even.

McConnell: Page 38 - If you will see bottom line of each organization: AGH 17.6 compared to 14 this year, with additional hit from ANI. Delaware Valley increase for Don, down for Calvin, increase for Len, improvement in AHERF. Costs allocated to operating units with $10 million improvement, which brings us to 43.5 compared to 22.5 this year. Budgets continue to be revised to be current. Stop for questions.

Neuwirth: Page 35, asked about AIHG capital budget. Asked what that is used for?

Abdelhak: Practice acquisition.

McConnell: Several budgets have been reviewed by Resource Management Committees at this point. In AGH, the Resource Management Committee and board and ASRI has approved SCHC. Adult hospitals and University next week. With the exception of the adult hospitals, each unit has approved.

Abdelhak: The improvement in AHERF is an improvement in the units. Wanted to be sure that is clear. While Tony may be going from 4.3 to 4.3, he has absorbed $6 million. We had significant cash flow issues at AHERF, and David and I talked about considering having AHERF break even. It has created some consternation at the units; further, I think our management has accepted their responsibilities and is moving ahead.

Barnes: Good budget; hope to meet or exceed it.

Motion to recommend. Approved.

IV. A. <u>Update on Financing</u>

McConnell: During the past year, we have undertaken initiative in Finance Department to consolidate activities, to try to maximize effectiveness of department and reduce cost. Steve Spargo has responsibility for General Accounting, Reimbursement, Payroll, and Accounts Payable functions. His role is as CFO but also to support operating unit areas. Steve has been working, trying to consolidate several disparate personalities, geographical locations, moving, etc. General Ledger systems. We now have one. Strategy is sound. Steve will tell us about how he has achieved it and how we have given consideration to employees:

Spargo: We recognized it would be a three step process: (1) Consolidate responsibility (General Accounting, Reimbursement, Accounts Payable, Payroll); (2) Consistent systems. Now have common General Ledger chart of accounts, Payroll and Accounts Payable are identical; (3) Geographical consolidation. Announced on January 10 plans to consolidate, except Payroll. Have not yet announced date for Payroll but think October-November this year. Reimbursement now in Pittsburgh as of May 15. General Accounting moving now, today. Accounts Payable - we are processing SCHC and will conclude by end of July. Hopefully, by the end of July, we will have all of this back in Pittsburgh.

In announcing this to the staff, we tried to make clear it was a business decision. Very clear on intentions of cost savings. 20% reduction in staff. Salaries $1.1 million, not counting travel. Decided on Pittsburgh because of technological support. Number of staff affected was 70. 22 in Payroll not yet informed. Six will remain in Philadelphia, or 64 people. Made it clear to assist them in relocating to Pittsburgh. Only one person is moving. Gave them 4½ - 5 months' notice. Shared income continuation plan. Also had employee assistance people available. Various levels of outplacement support. Counseling sessions. Resume building, interviewing, computer classes for some people. Allowing professional staff to continue with CPA certification. Also: (1) Did not allow vacation or sick time for interviews, so we gave them time; (2) Offered overtime to professional staff because we knew we needed their help; (3) Afforded them a premium pay on discretionary basis for those who would see us through the transaction (10%-15%). We believe we handled fairly. Good news: Of the 64 people who were affected, we have only 20 left; 15 inside the organization, 28 outside the organization. Of the 20, 12 are Accounts Payable clerks, and we hope they will stay through the end of July - trying to get jobs in the organization. Eight professional staff left. You have formal income continuation packages. Eight people laid off sometime in the summer. We need their help over the summer. Other good news: Staffing in Pittsburgh is now essentially complete, two or three at the accountant level. Effective with the close of June, we will be doing it in Pittsburgh and will audit in Pittsburgh. Think it went off without a hitch.

Professional staff is now in the Clark Building.

Barnes: Are you monitoring to see if you have the cost savings?

Spargo: Yes, we are doing better than expected.

Barnes: How about functional benefits?

Spargo: Think we are doing good job. Think we have a good staff. A number of staff in Pittsburgh hospitals have come here.

Barnes: How are you managing the functionality to make sure to be better?

Spargo: We have addressed Accounts Payroll; Payroll is still where it was, and we monitor by exception basis. Accounts Payable is the same; we hear from vendors when things are wrong.

Barnes: Think would be important to monitor quality of your performance.

Abdelhak: What I think we will have at the next meeting is a set of targets for activities in Accounts Payable, i.e., how many checks do you cut a month?

Spargo: 1700 / week.

Abdelhak: Then we will want to see how many errors there are. We will monitor and report to the Committee and not necessarily accept that centralizing is better but to prove it.

McConnell: Additional criteria is the audit, and we know from the audit what the management comments were. When the audit is done, those things are key. In addition, CEOs have reliance on CFOs for information, and we will make sure they are happy.

Abdelhak: We will get you a set of criteria.

Barnes: Talked about headquarters mentality.

Abdelhak: We will want to make sure it serves the purpose and accomplishes the end.

Neuwirth: I would presume the consolidation would reduce the delay time.

McConnell: Not necessarily reduce the time but will reduce the cost and shorten time for interim statements. Mentioned certain things that auditor still has to do. Unlikely to see audit before Labor Day because of outside constraints.

Hilton: What responsibility do CFOs have?

McConnell: Steve's responsibility is to provide reports to CFOs. CFOs translate information to CEOs. All reports will be the same.

IV. B. Annual Report

McConnell: Information item. IRS continues to tighten on availability of tax exempt financing. Process is Notice of Official Intent. Have shared information from operating units. This does not mean they are going to finance but are protecting their right to financing.

Barnes: What happens to 2.2 that is not covered? Do you really carry it over?

McConnell: Pages 43-44. Declaration from Delaware Valley. This is just a record keeping item.

Management Report on Investments

McConnell: Mike Martin will do report.

Martin: Report covers number of periods of time ending March 31. At that point, investment portfolios total $578 million. Increase of $44 million since prior quarter end. Do you see sources of additional funds? Net contributions reflect inflow of funds from the AGH financing. Page 45 also shows allocation by entity. AHERF is primarily holder of assets. Talked about fixed income. Number of assets in organization are the endowments. Funded depreciation. Pensions. Talked about market during the first quarter of this year. It was indicative of declining interest rates. Talked about equity market and which stocks did well. Generally, from capital perspective, all styles seem to be fairly well. Large companies did better in terms of the strength of the economy. The investments from the pension funds are good.

Pages 47-49 - Each individual portfolio is presented for review and performance provided for various periods. Performance has been competitive. We have presented investment returns for the AHSPIC portfolio. These are managed in different manner. Any questions?

IV. D. Cash Disbursements

Normal comment.

Neuwirth: Page 49 - Asked about non-pension master trust structure. Is there any intention to keep the fund by entity? Will we keep accounting by entity?

McConnell: There will be one fund with the manager. We are required to ( ).

Barnes: At the last meeting, we talked about the bonding of officers.

McConnell: At that time, the question was raised due to centralization of the Accounts Payable, greater responsibility of people processing checks. We looked at Directors & Officers policy. We have $.5 million program in our policy. These same people, as officers, would be covered in that policy. We learned that we could purchase insurance, lower deducible to $100,000, premium would give everyone coverage for under $10,000 for the organization. No one else other than officers can sign checks. Reviewed policy. Issue of board was covered in a different way.

Abdelhak: Recognize the job Mike is doing. It is superb. He reports on investments and manages all the debt.

Meeting adjourned 3:17 p.m.

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Transcription date: 3-19-2002

EXHIBIT 11

aherf/siemens 1-16-96
3-19-96
Audit Cte 4-96
aherf/siemens 5-21-96
Finance Cte 6-10-96
aherf/siemens 1-21-97

Steno Notes

National® Brand 36-746

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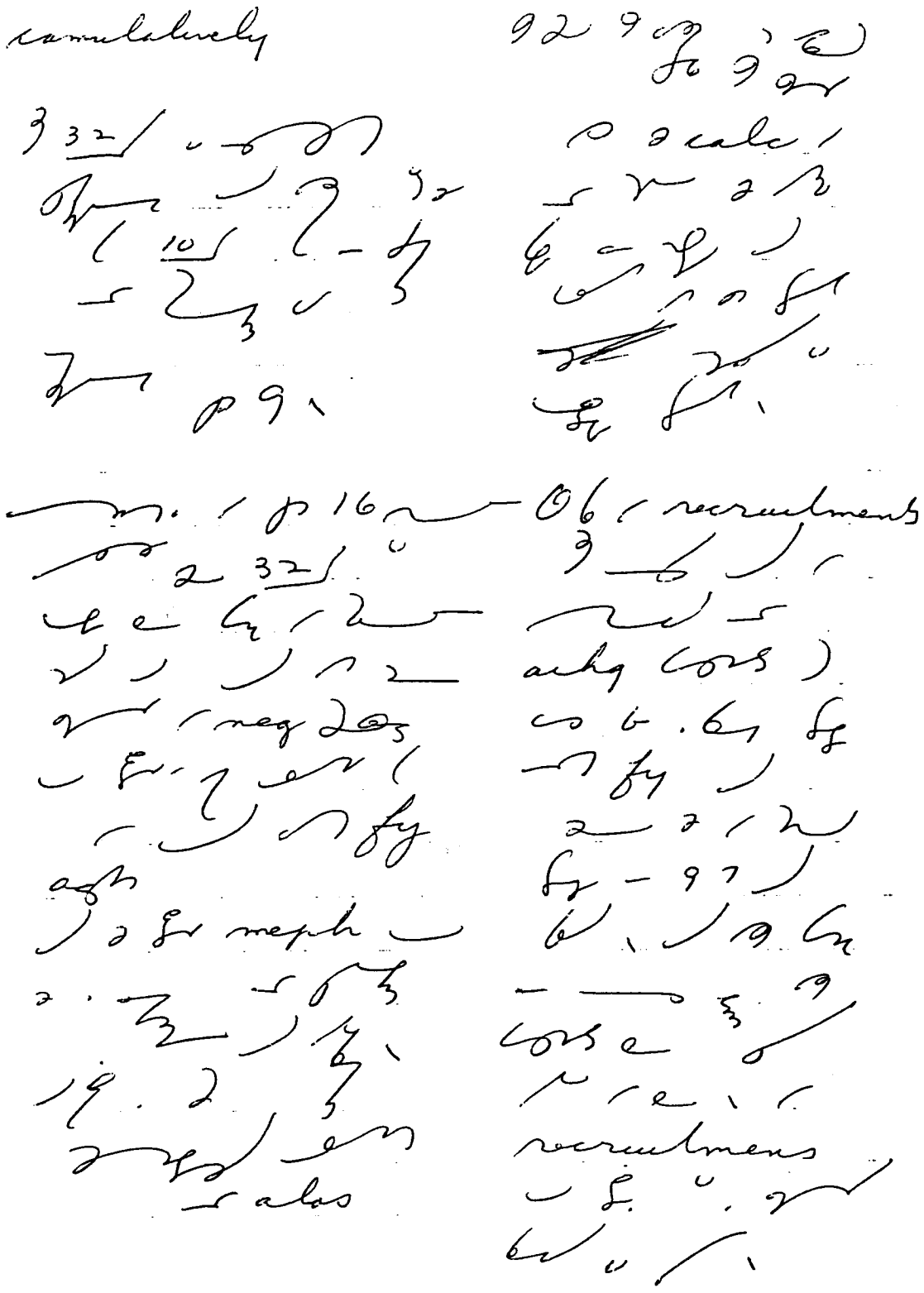
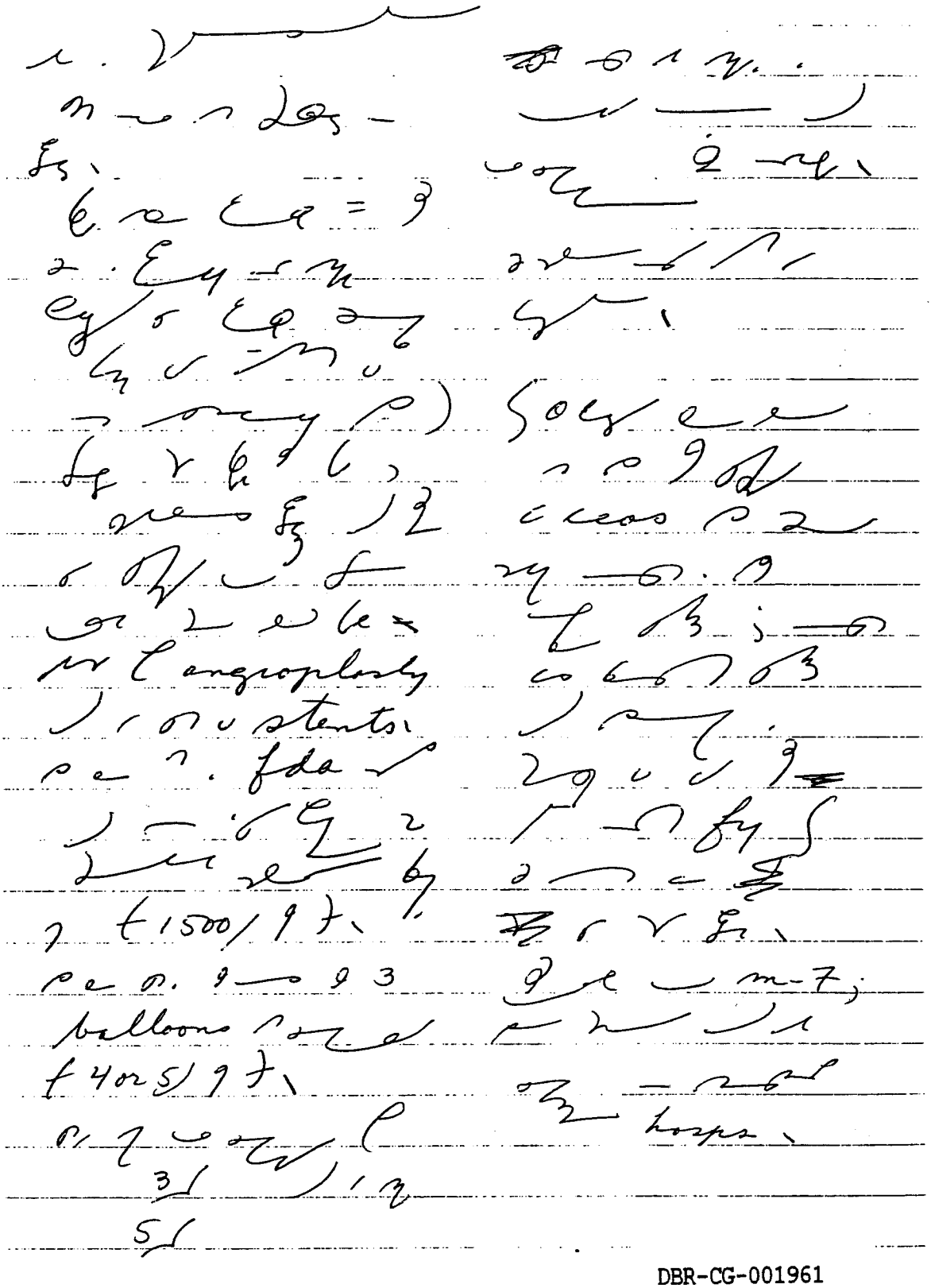
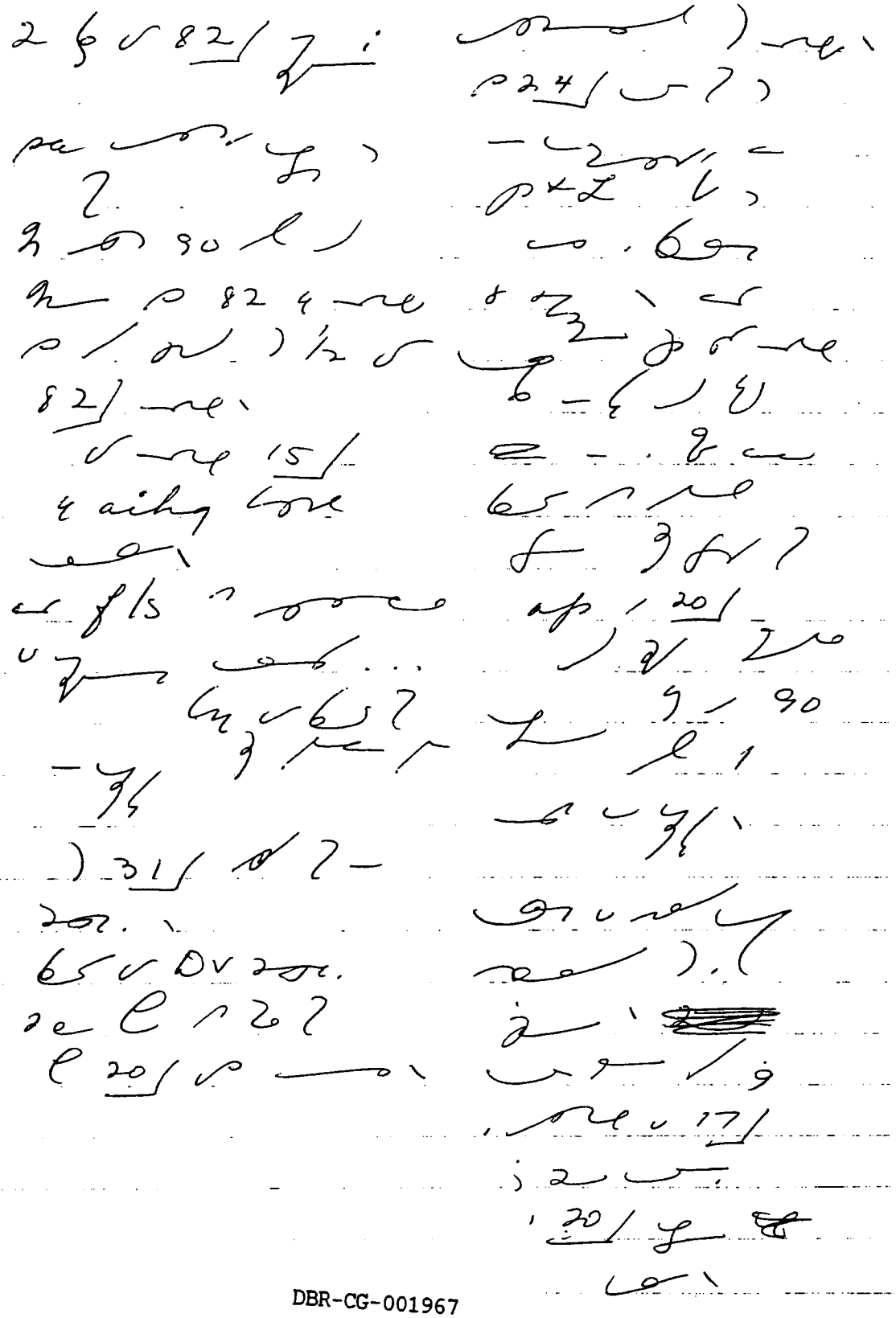
GREGG 26

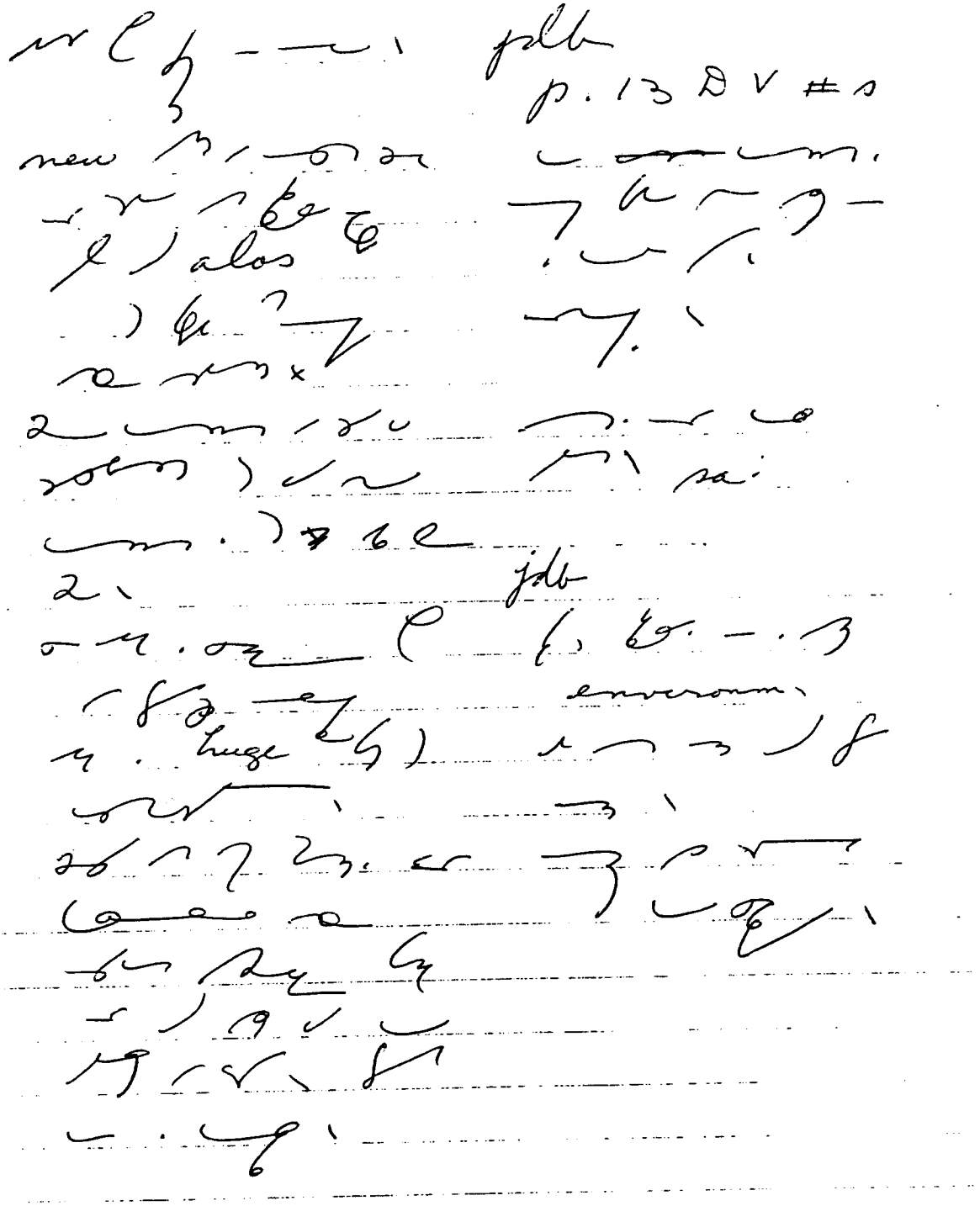
DBR-CG-001866

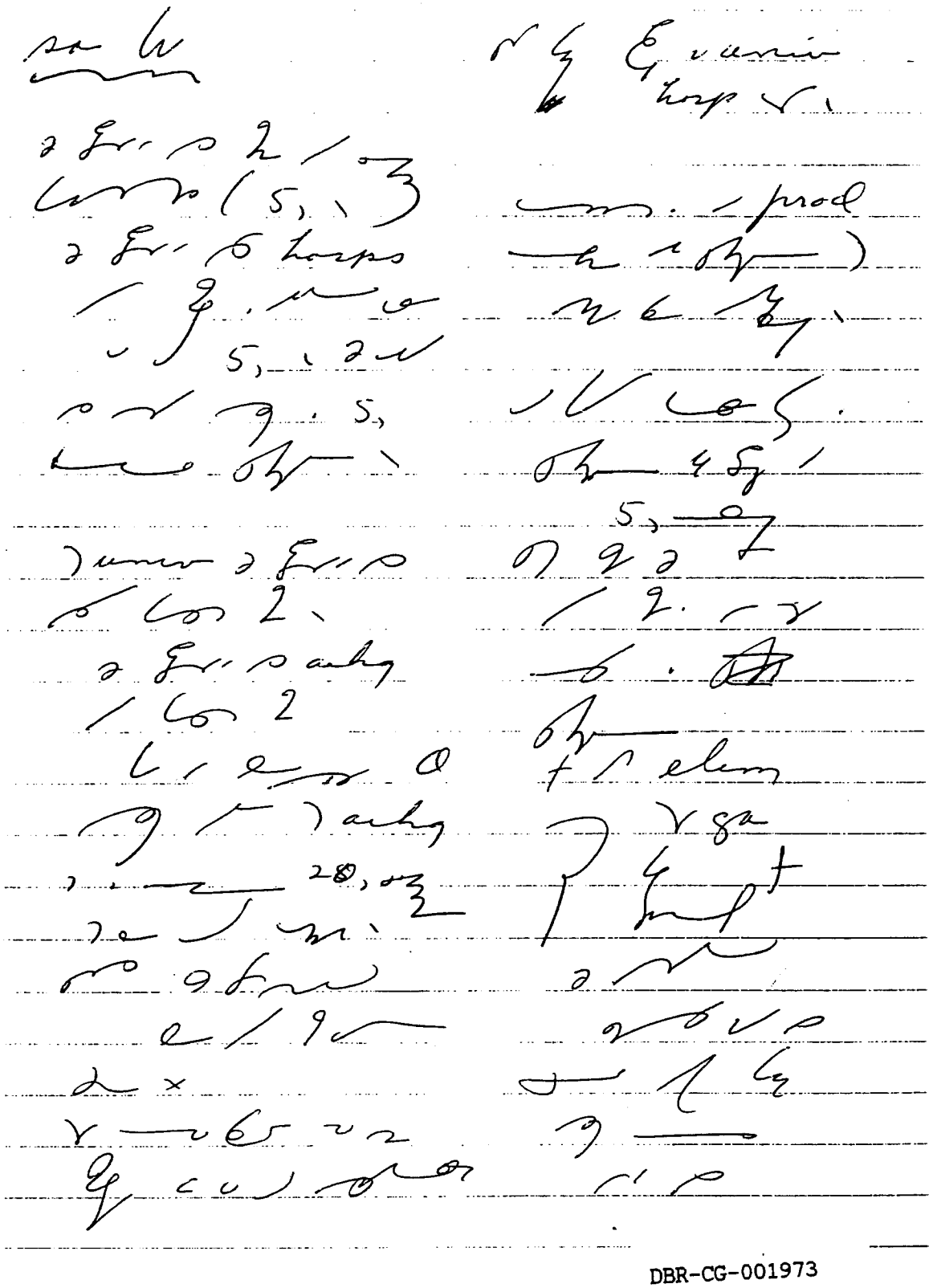
DENNISON STATIONERY PRODUCTS COMPANY
FRAMINGHAM, MA 01701
Made in USA

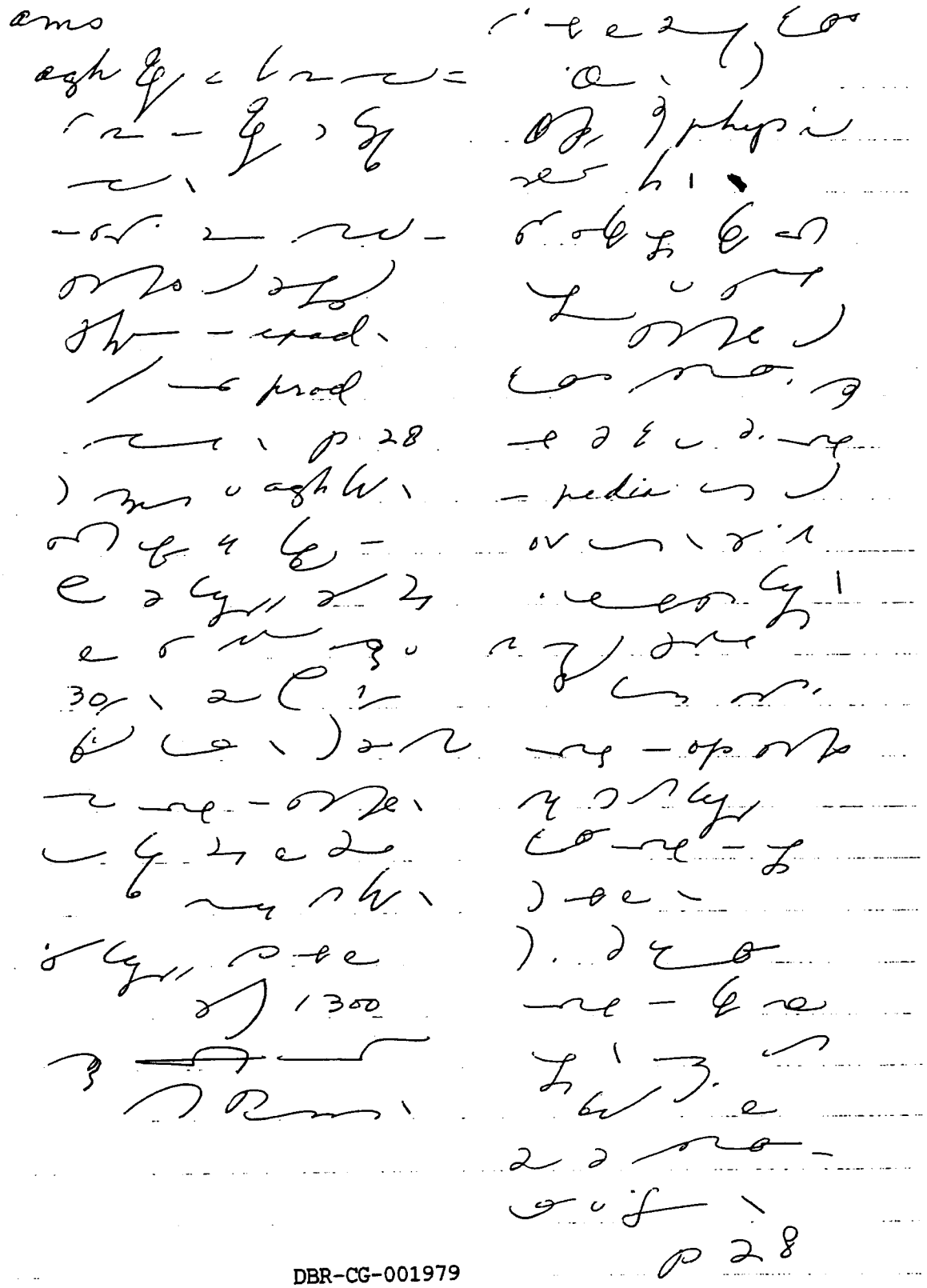


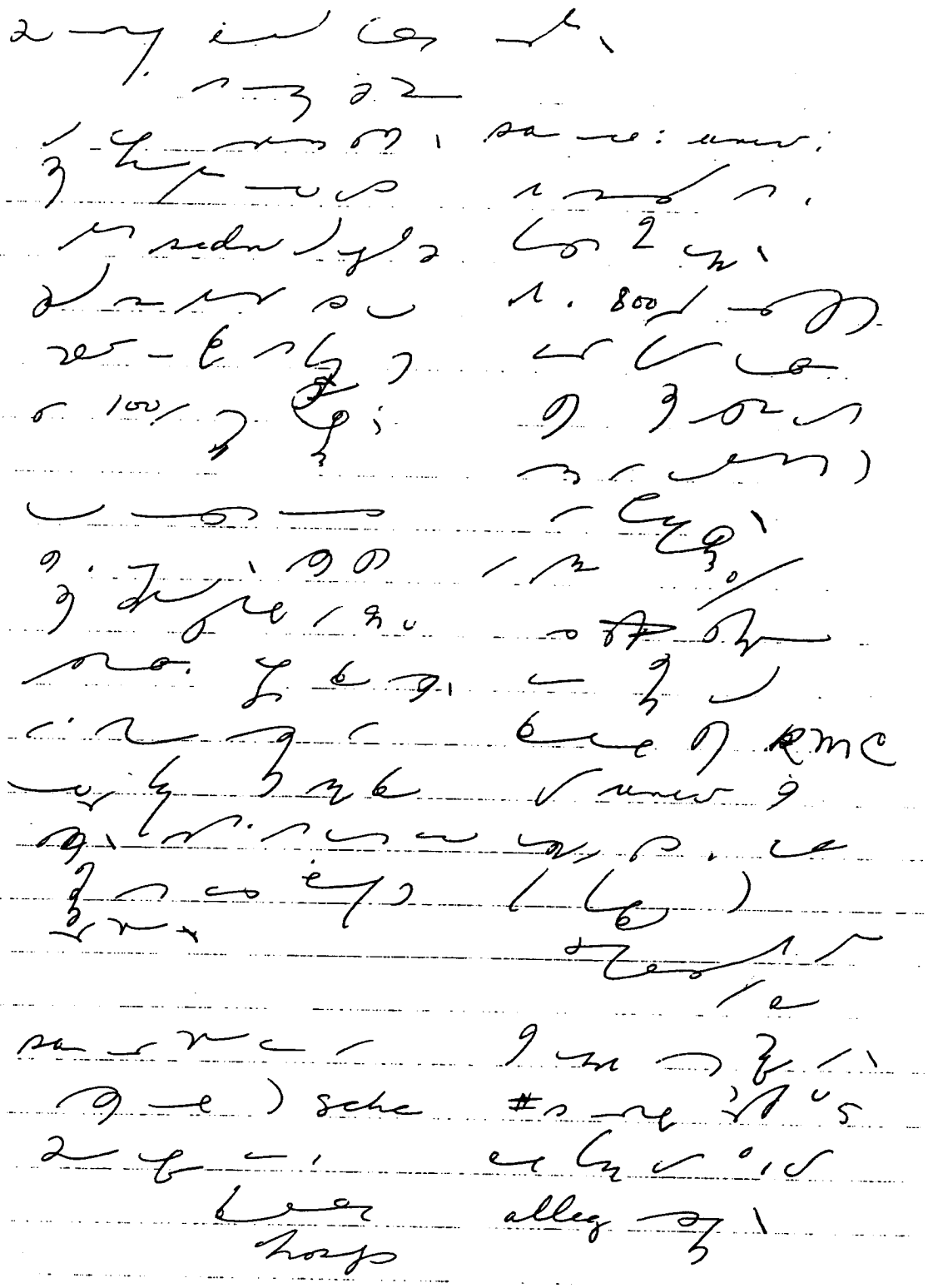


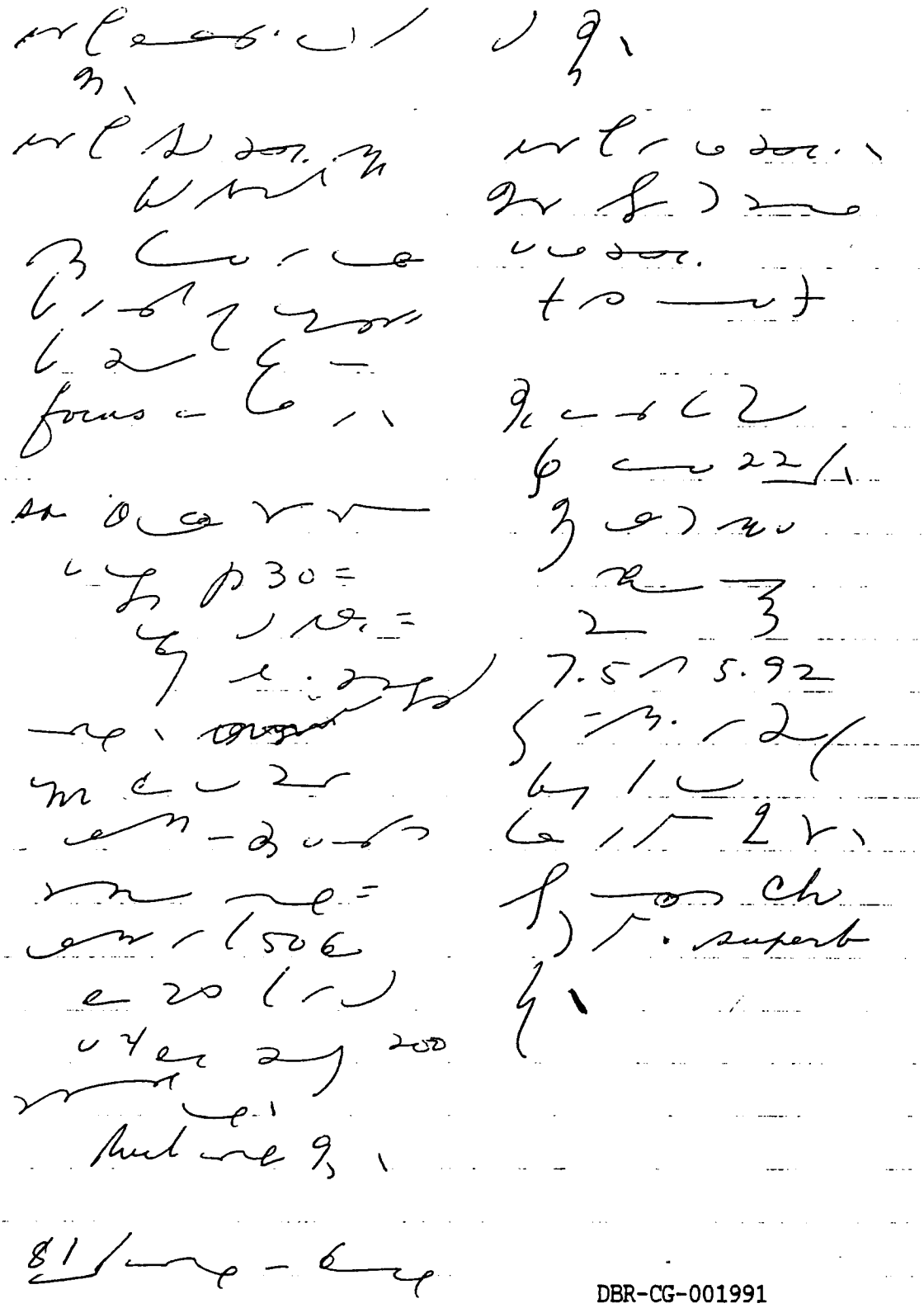


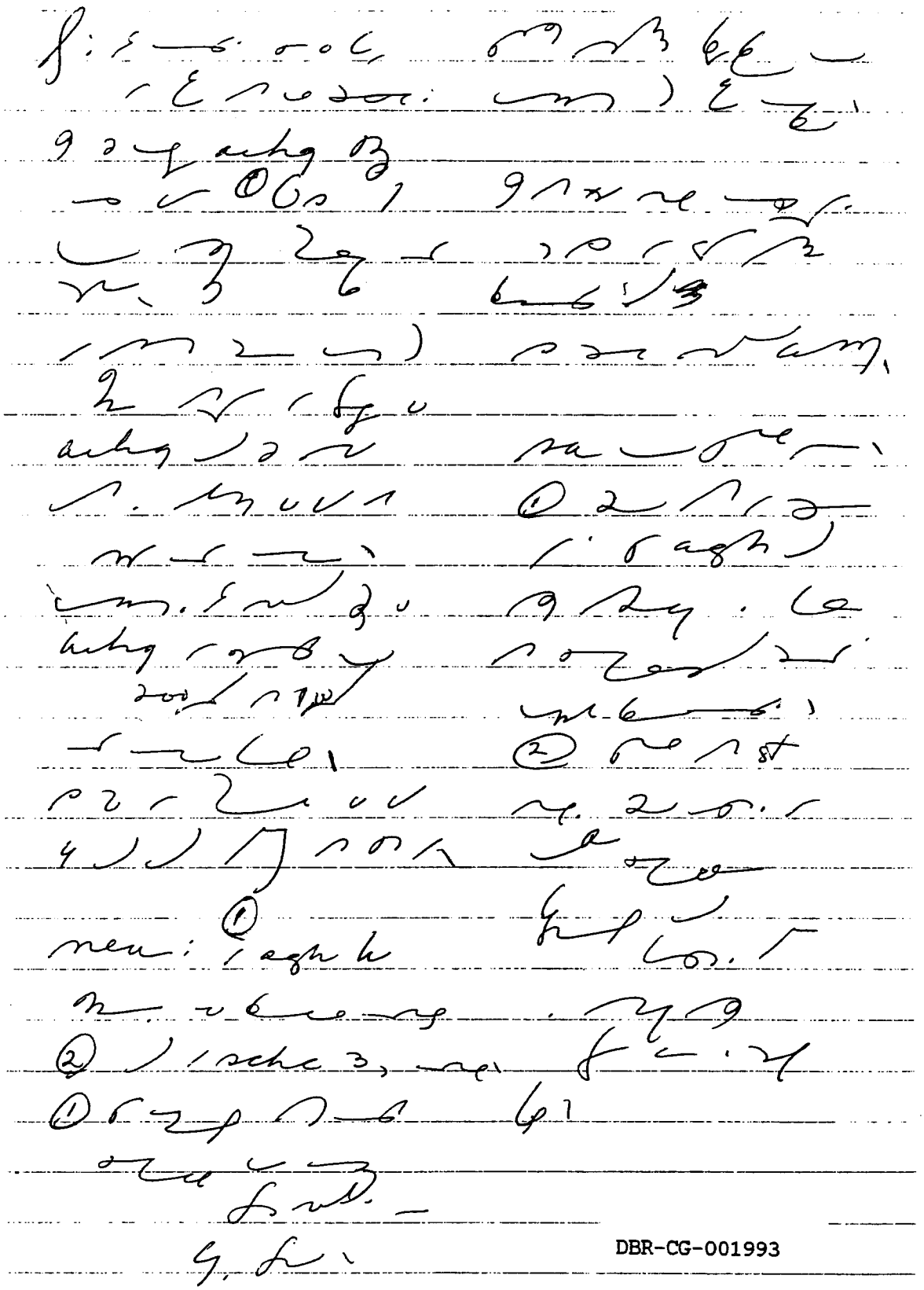


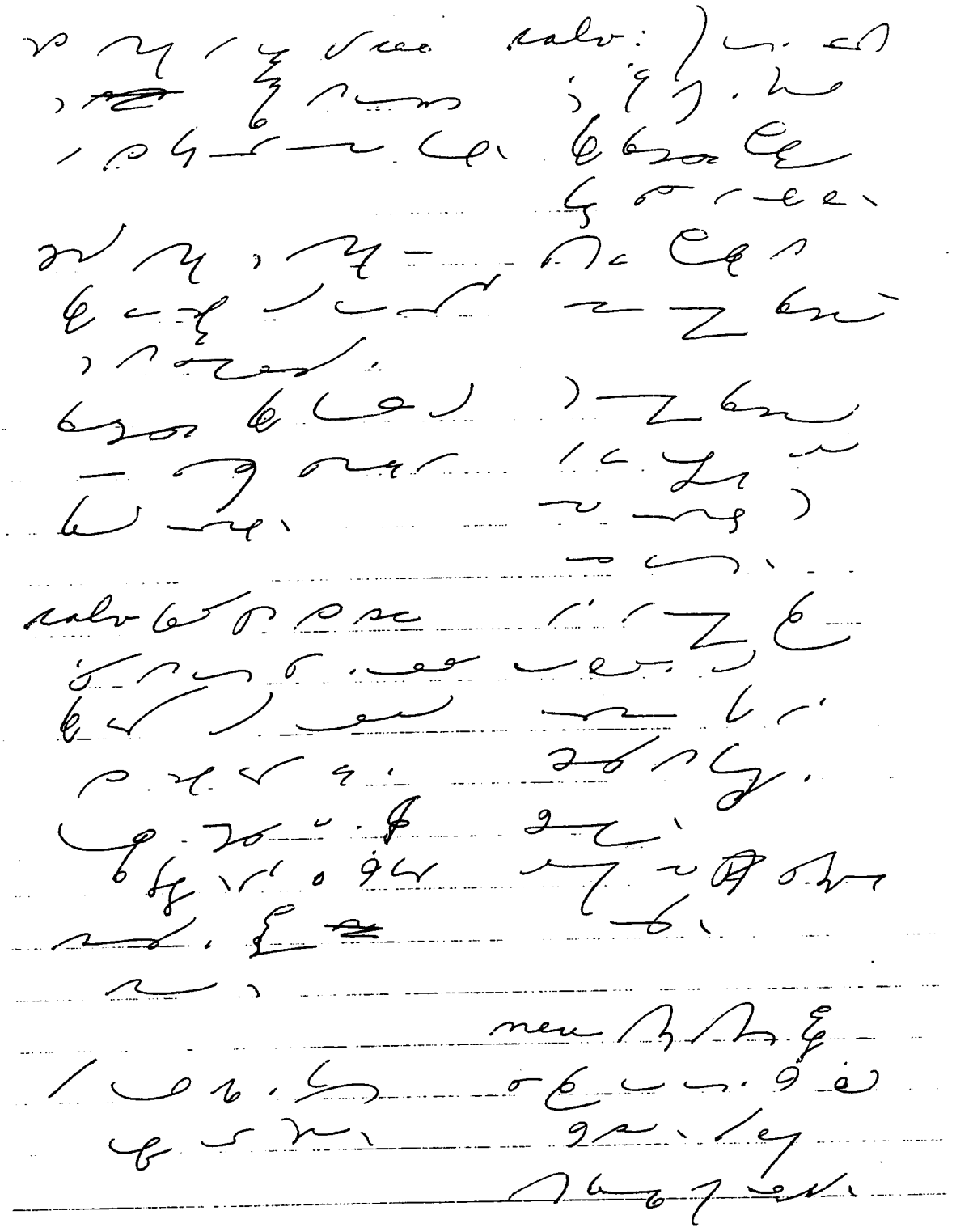


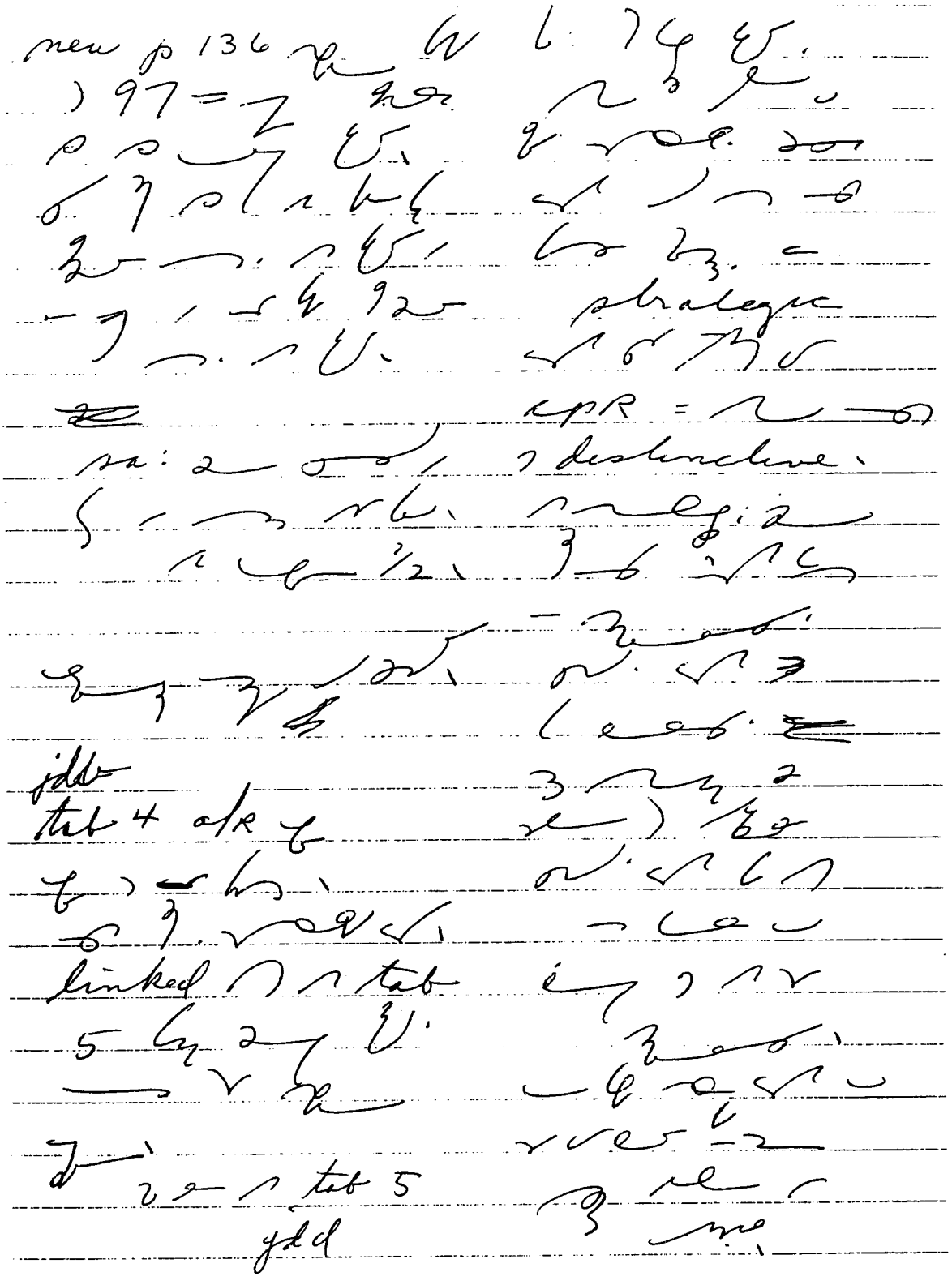


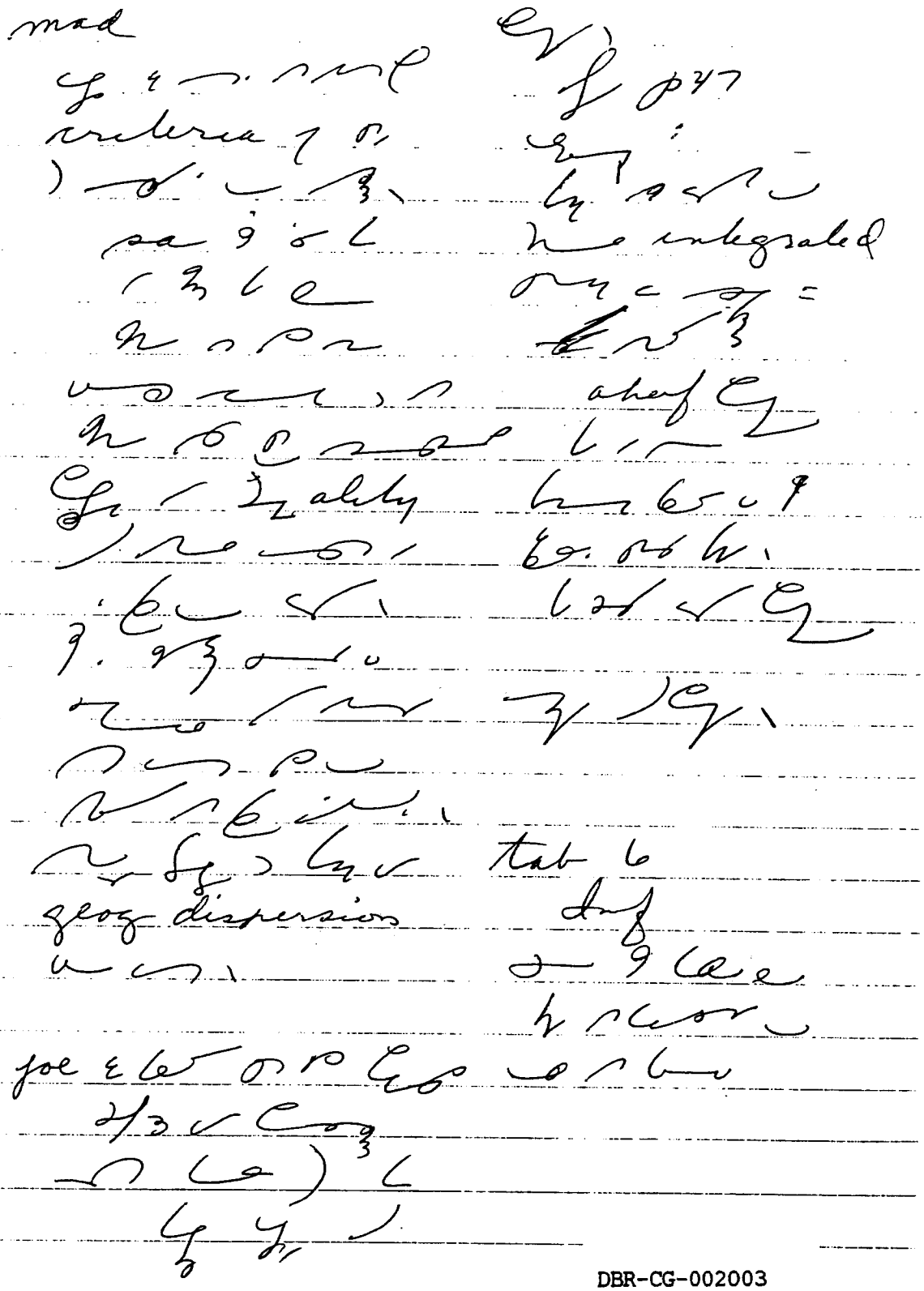












tab 7
tab 8
new p 82
adj 2:00 pm

Transcription of Shorthand Notes of Carol Gordon - Finance Committee, June 10, 1996

NOTE from transcriptionist:
( ) means I did not write anything in that spot at the meeting.
_____ means I cannot read it now.
_____?_____ means I do not know who said it.

Meeting began 12:00 noon.

Mr. Barnes noted that there were no additions to the agenda.

Minutes approved.

Results of Operations

Barnes: More emphasis on operating statistics.

Abdelhak: Will summarize; we are $22 million off plan; contributing to that $22 million is $32 million of unbudgeted adjustments that need to be taken into consideration. Namely, in AIHG, we did not budget the operating results of the acquisitions because we couldn't forecast them and we anticipated that whatever they were, they would be offset by additional revenue. Revenue this year is $132 million in excess of last year. That is a reflection of the AIHG practices acquired. So $17 million of the bottom line is attributable to the unbudgeted expenses for AIHG, $4.5 million is associated with one-time expenses for downsizing, $3.5 million is associated with reduction in MA rates. $6 million unanticipated surcharge, and the $1.5 million EPPI research and training grant only $100,000 was funded. Cumulatively, we have $32 million of negative adjustments, and they have been offset by $10 million in changes in the valuations of the investments. Page 9. Looking at page 16, you will not _____ we are $32 million over last year because the volume isn't there, and to some extent the negative variances are expected to be reduced by the end of this fiscal year AGH and we expect MCPH will see an improvement in the admissions and discharges. There has been a very significant reduction in the Average Length of Stay as far as occupancy is concerned. I have asked that we calculate it; in the future we do so based on staff and ready-to-use beds instead of licensed beds. I believe the recruitments we have made and the growth in the AIHG practices have only shown a partial benefit in this fiscal year, and we will see the full benefit in 97 and beyond. And that is because in many instances these practices were added during the year. The

recruitments are happening over an extended period of time. There is a fundamental issue in regard to variances in expenses. Patient care supplies - we have seen an explosion in the costs associated with supplies simply because of the introduction of new technologies that have benefit for the patients but is extremely expensive, and we have not yet adjusted our payment rates from third parties. Talked about angioplasty and the use of stents. They were under an FDA study and then had approval, so vendors started charging us $1,500 each. They were using as many as three balloons to implement ($400 or $500 each). Used to be reimbursed about $3,000 and it cost $5,000; now it is costing a lot more, and reimbursement has not increased. We still need to do the procedure.

Before I proceed, I will tell you that I have advised all CEOs that we will stop making these major additions; make only selective additions, and they will be a fraction of what we have done in this fiscal year before we go on with further expense. Facilities are Monday-Friday; they are full, and there is improvement in the community hospitals. At AGH, there has been an extensive amount of recruitment this year.

Kaye: Talked about admissions from hospitals coming from practices.

Abdelhak: Originally, numbers were not impressive. Then we realized that admissions were from specialists whom the PCPs had recommended. We had to devise a system in hospitals so that we could track this for referring physician (Who is your PCP?). Referred to page 22 for admitting information. Thinks we have not captured all admissions but we think there is a significant impact. Page 21 - See number of total AHERF specialty referrals. For January, 1996, it should be 27%, not 34%. Numbers and percentages are climbing so that referrals are from AHERF specialists. Page 22 - under short procedures, this is information we do not have for tertiary care hospitals. 65% of short procedures come from AIHG primarily. Now that we are able to get meaningful data, we can show you that AIHG will have a significant impact. At the next meeting, we will have numbers for Pittsburgh. Stop here - David will go to balance sheet and income statement.

McConnell: Page 10 - April consolidated balance sheet. Several key things: Result of the operations, cash and short term investment reduced a little more than $9.5 million. Several reasons: (1) Bottom line behind plan, (2) Depreciation, which was $76 million, large projects in Pittsburgh, capital spending with a number of small projects in Philadelphia, $95 million; (3) Accounts Receivable run up of _____ that total dollars invested in Accounts Receivable is $82 million. We will take about the process and the conversion. This leaves us with a net days in net revenue of 88 days. Last June, we were at 68 days. As we went through the

conversion process starting in January, we were at 91 days. Would have expected in March/April it is a recouping of money. Two pieces of the $82 million investment: Sherif indicated revenue is up. If you take 90 days and assume that 82 was increased, that would account for half of the $82 million increase. Of the increase, $15 million was AIHG practice related. On the financial statements under category of investments limited..... Because of the build up in receivables, we have drawn down for $31 million tied up in financing. Part of the Delaware Valley financing we were able to free up about $20 million of that money. Endowments have increased. That $24 million run up is not reflected on P&L but is only a balance sheet improvement. On the liability side, with the increase in business and spending in an effort on our part to delay payment, we have backed up Accounts Payable at $20 million and we should eventually level off at 90 days which meets our receivables. Lines of credit will be carried for a while. Long term debt has a decrease of $17 million; we are running at a $20 million repayment plan.

Page 11 - Sherif has talked about these highlights. Volume is below budget. Total revenue was $1.1 billion from operations. Within the statements, we have effected some accounting changes. In essence, we will be required to mark our investments to market rather than just taking effective gains. Overall, excess of revenue $8.7 million behind budget and half of where we were last year. Any questions?

Neuwirth: Will there be any effect on property and equipment from FAS 121?

McConnell: Don't think so. We have been conservative.

Barnes: Page 16, operating ratios. Length of Stay is killing us; do we have any idea as to when that will cease declining?

McConnell: No, it is because of HMOs.

Barnes: Are there any studies?

Abdelhak: Think it would be realizable to look at other markets, but that could be misleading.

Talked about changes in market.

Neuwirth: Does it make sense in the future to separate inpatient days and Average length of Stay for patients under managed care contracts? We will look at set of statistics

for what you are looking for to see where we are. When there is an announcement about the bedside merger, there was a huge push for recruitment. We need to keep focusing on the primary care network development because in the end that is what will drive the system. Beds are a liability.

Barnes: Page 13, Delaware Valley numbers are looking much better than they have in a long time. Encouraging.

Abdelhak: Going in the right direction.

Barnes: Business is operating in a tough environment. There is good news and bad news. Move that statements are accepted.

Budget

Abdelhak: We expected that everyone would improve productivity by 5%. We expected that the hospitals would achieve a total return of 5%. We thought they could give a 5% salary adjustment. For University, we expected that they would break even. We expected that AIHG would break even but the target I gave Don for AIHG is a minimum 20% improvement for year end results. With that as background, where would each of them fare? For the most part, no one achieved all of their guidelines with the possible exception of University hospital system. Looking at productivity measure, it is adjustment for cost per discharge. Their bottom line before an adjustment was essentially at 5% margin, however, after we did everything the state made an adjustment (to eliminate coverage for the General Assistance population). We couldn't estimate what that amount would be because they have many things that are undefined. There is yet to be a definition of those who will seek employment, etc., so I adjusted people's bottom line target for whatever the General Assistance change would mean to each institution. Not everyone has attained all of their goals. St. Chris: results excellent this year, however, state is mandating that we go to a managed care structure, so it affects them in a significant way. Don't expect to reach this year's level next year. All in all, I think the targets were useful benchmarks for them. Will ask each CEO to speak to their own budget process. We also have here the CFOs from both cities.

Abdelhak: Budget begins with estimate of revenues and I have asked that no revenues be included unless Finance can verify the assumptions and calculations and that is the way we have presented it.

Kaye: Think the budget for next year that was prepared for MCPHUHS hospital system is built on what we have seen this year and only adding in trends for what occurred this year. We can account for the admissions and the amount of

activities. The General Assistance pronouncement threw a monkey wrench because we have no way of knowing what the cuts will be. In terms of the trends, I think we are doing better than what is in this budget. Asked Chuck to speak to it also because I think we have been conservative in building this budget.

Morrison: Agree, particularly in light of the recruitment levels that have occurred. Believe admission projections are reasonable. Continue focus on cost control.

Bland: As we approach the coming year, I would say we are realistic in projecting our volume of activity as well as the cost of doing business and the revenue associated with it. Certain we have a burden with the costs being paid to Temple and the costs for building the Department of Pediatrics. Volume has been growing (about 5%). We need to continue to watch our costs. Have reasonable budget. If you factor out the duplicative payment, we can achieve both of our targets.

Sanzo: AGH achieved all but one goal - the one not achieved is profitability goal, notwithstanding some growth in activity and significant adjustment in CPAD. Did meet productivity goals. Page 28, have construction of AGH budget. When this report was prepared in April, we projected we would finish year with total cases of 30,000. We are about 1,000 behind plan. Have seen great market increase in activities. Will probably finish year fairly close to budget. Had projected that next year we would have 1,300 cases more than this outlook. Think next year we will be slightly higher. Identified several physicians who will start July 1. With the inpatient revenue based on this level of admission activity and slightly declining case mix, we also are seeing increase in pediatric work and OV work. We think it is a realistic projection. Those combined factors plus continuing increases in outpatient activity cause us to project slight increase in revenue for next year. Have a very slight increase in patient care revenue. Moving into period where we will see decline in rate of payment. Page 28 - talked about his budget figures, CPAD, etc. Projection from operations is that we will see red ink. Do not expect same level of returns from investment portfolio next year. Looking at consolidated AGH financials, remember we are supporting the ASRI research, which causes the consolidation to show loss of $10.7 million.

Barnes: If we have an operating loss of $21 million, what turns that around in the next year?

Sanzo: Increased investment. Increased money from Singer.

Barnes: Asked about why fees are less than Philadelphia.

Sanzo: Fees aren't less, we just get paid less. Higher proportion of Medicaid, probably better contract.

Abdelhak: Base rate is 25% less than Hahnemann and MCP, and that is a reflection of AGH efficiency. They get paid $1,000 more per case. Generally speaking the base costs of the hospitals in Philadelphia are always higher. Labor and educational costs.

Sanzo: On the western side of the state, one of our guiding initiatives has been to prepare the organization to accept risk, because we saw declining payments on a fee-for-service basis. We are encouraging health plans to move away from their original contracts with us. We have done most of that through SDN, and recently we signed one contract that will start in September to provide us with 100,000 covered lives. Will make money as an investor. That is how we have addressed the issue of declining revenue per case. Think this will give us the lowest possible cost per case. Continuing to work on our efficiency can only help us in the future.

Abdelhak: In the future, on the case mix for SCHC, we will report on a children's hospital index.

Abdelhak: Regarding the University, it is committed to a break even result. There is an $800,000 negative on the bottom line, however, we have taken into consideration the reduction for the appropriations. It does not include any adjustment on wages and salaries, however, the Resource Management Committee of the University has requested that a plan be prepared for implementation during the year if results can support it. Numbers increased substantially over five years because of the inclusion of the Allegheny campus. All in all, they are very close to break even. When we went to Resource Management Committee, Finance was only able to verify 95% of the University expenses. Joe, anything in Pittsburgh?

Dionisio: Tony alluded to making modifications, and I think the entire senior management team in Pittsburgh is now more comfortable with the budget we presented. Tony is right to say more conservative. I had some concerns about projected cases, but Tony convinced us that the successful recruitments that physicians who will or who have joined AGH will have an effect. Have not provided for potential additional cases as a result of expanding our contract with Health America, nor have we provided additional cases as a result of contract signing that SDN has with Health America.

Abdelhak: Chuck, anything on the University?

Morrison: No, we have provided for clinical programs in the mission related activities - we have similar situations with research in Philadelphia as you have with ASRI.

Abdelhak: Page 36 - Capital budget shows we will make minimum capital investment in this upcoming year, just because we are in need of building up cash and balance sheet. No one is going to get that amount. I am going to manage the capital budget of each CEO.

McConnell: AHERF budget was consolidated with each operating unit. About three years ago, we started taking AHERF costs and more fully allocating them to the operating units. This year's budget has all costs fully allocated, and AHERF will have a positive bottom line with investment gains showing. Balance sheet; Cash remains about the same for next year. Revenue: We are increasing revenue in the budget. Projecting receivables to decline. Expect economic gains in the receivables area, which will take us from 85 days to 74 days in a tough market to collect cash. Also on balance sheet, we intend to replenish some of the funded depreciation amount from this year. PPE is reduced. Have around $100 million in depreciation expense. In Accounts Payable, we expect a decrease a little bit. Long term debt is interesting - mentioned we would defer principal payments in Delaware Valley because of the refunding. Total debt balances of $665 million does reflect the refinancing in Philadelphia. The debt that we are retiring had certain call provisions, so we borrowed a little more to retire those dollars. That transaction produces a loss on defeasance on the debt . Go to Page 30 - highly consolidated statement - with the volume of increases we are projecting for next year, we are having a $152 million increase in revenue. The practice plan revenues have a 34% increase in revenue for one year. On expense side, there is a 7.8% increase in expenses. Depreciation was increased. Loss from operations is cut. Net bottom line of $10.3 million compared to $15 million this year. However, with the refinancing, need to reflect on operating loss of $31 million. Talked about eliminating old debt issue. Talked about deferred financing costs, bond discounts. This is below the line, but it needs to be reflected, but we will probably not focus on it.

Abdelhak: Highlight for the Statement of Revenue - Page 30 - research and training, there is a significant increase. Results here are from the reduction in size of medical school class - reduced it by 50 per year so that by the end of four years we will have 200 less. Tuition increased 9%. $81million increase in salaries and wages. Talked about the refinancing. Asked David for summary of refinancing. Savings are net present value basis, almost $22 million. Effective rate for cost of capital moves from 7.5 to 5.92 before introducing the variable portion which will bring it down even further. David, Mike, Chuck have done a superb job.

McConnell: At the meeting when I presented the opportunity to refinance, as we left AIHG

outside any of the Obligated Groups, which will give us flexibility in the future. It took some work for everyone to understand the benefit of AIHG, and we got into a discussion of what it is worth in the market. Looking at the current size of AIHG, the estimates are $200,00 to $700,000 in the marketplace. They saw the value of what was there and did not have to use it.

Neuwirth: (1) At AGH, assuming no salary increases, (2) and at SCHC 3% increase. With reflection, this means employees are moving backwards in purchasing power. With these conditions, best people will look for opportunity elsewhere. As to state increase, my understanding is that the system does not permit and that seems counter productive.

Abdelhak: Will address your questions. (1) We will do the same thing with AGH and that is develop a plan to implement something results permits, (2) With regard to St. Chris, we are taking the entire employment population and breaking down a group that is paid on a step basis. For that group, the responsibility of the CEO is to look at that position in the marketplace. Second group is group not based on steps, and our intent is to implement a performance based plan and not give across the board increase. Calvin pointed out that St. Chris had to work with a merit based system and learned that step system was a liability instead of a benefit. Thinks he has worked to get an assessment tool. Would like to see a progress report in the future.

Bland: Have been working on this; hope to have a fully based performance appraisal process within the next year. This all applies to non-management personnel. For management personnel at all levels, there are no increases for any organization. Think the management people are earning their income but think we need to provide an example. There will be no adjustments made.

Neuwirth: This is difficult, especially when people are working as hard as they are. Would urge this policy to be re-thought.

Neuwirth: Page 136, capital budget for 97 - management assurance that that will not be spent. I would suggest that it is better business if we are not going to spend it not to have it in the budget if we are not going to spend.

Abdelhak: We will amend it before it goes to the board. It is less than half.

Resolution moved and seconded.

<u>Tab 4 - Accounts Receivable Report</u>

Barnes: Report is in the book. Now we have a standardized system. Linked this to Tab 5

because we will be spending money for the capital investment. So turn to Tab 5.

Dionisio: Have previously spent a great deal of effort standardizing financial systems and can now begin focusing on strategic systems with the introduction of the CPR - this will make us distinctive. To clarify: While we have made substantial progress in consolidating accounting systems by eliminating three groups, we still have disparate accounting systems but this new plan will help us to further consolidate. Our patient care systems are state of the art but in some cases trail the industry. Page 49 is a snapshot of where we are with respect to these systems. Page 50 shows where we would like to be in approximately three years. System that anyone can access from anywhere. It will be paperless and relies on much of the technology that banks and other institutions have been using in recent years. Talked about what it includes.

Barnes: Benefits to the good?

Dionisio: Will have access to clinical and research data from any workstation. It will be similar; physician in AIHG offices.

Barnes: Does it save money?

Abdelhak: As we have more than once said, our interest is to assume risk. Right now the absence of the medical record moving with the patient entails duplicating many studies more than once. Talked about patient with battery of tests and is referred to specialist for care. Specialist does not see that record. So there are more tests. More reliable information for patient safety. Secondarily, there are a variety of practices within hospitals that rely on various tests. Current system has so many inefficiencies, main problem is communication - absence of information. We have not estimated the impact of it. The fundamental purpose of implementing this system is the distribution of our organization. If it were not one sided, I would do a cost benefit analysis. It is imperative for the care of the patient because of patient's care. Convinced this will reduce operating costs. We will track it as we are implementing it.

Nimick: Seems to me one area we are always being criticized for is up to date medical records; this would make it current, and it seems the physician would love it.

Abdelhak: An example for that happening and that occurring is that I have appointed Mary Anne Darragh as Project Director because of her experience with medical records.

Nimick: Talked about privacy.

Abdelhak: Good consideration about this is that while no one has put it togther as we have,

other organizations have differentiated access to their systems. Access to physicians for all patients. ID numbers are entered. These are audited.

Darragh: Originally was going to talk about criteria to be used for guiding our decisions. Sherif has hit upon the issues, but I will assure you that one of my goals is to assure that the user community appreciates the functionality and truly make it a paperless system. We have an extensive amount of employee time throughout this organization that are devoted to paper handling. Greatest benefit is because of the geographical dispersion of our organization.

Dionisio: Also pointed out that approximately 2/3 of the applications in this plan have been previously reviewed and approved.

McConnell: Page 47, resolution. Because these systems are fully integrated across all campuses, wanted AHERF approval, but it then becomes part of each operating unit budget. We need system approval.

Moved and approved.

Tab 6

Barnes: Same as prior year, just to protect our right to borrow.

Tab 7

Information.

Tab 8

Information.

Neuwirth: Page 82 - Check for $765,000 to City of Philadelphia Law Department - payment in lieu of taxes.

Meeting adjourned, 2:00 p.m.

cg
wp:03221
Transcription date: 3-27-2002

EXHIBIT 12

aherf/siemens 1-16-96
3-19-96
Audit Cte 4-96
aherf/siemens 5-21-96
Finance Cte 6-10-96
aherf/Siemens 1-21-97
Audit Cte 10-15-96
Finance Cte 12-2-96

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